

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 OPIC-03 /129 W
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FM AMEMBASSY QUITO
TO SECSTATE WASHDC 8600
INFO AMCONSUL GUAYAQUIL

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E.O. 11652: N/A
TAGS: EINV, ENRG, EC
SUBJECT: GOE AND GULF CLOSE TO SIGNING AUDIT DONTRACT

1. GULD AND CEPE (THE STATE PETROLEUM CORPORATION) HAVE REACHED AN AGREEMENT IN PRINCIPLE TO DESIGNATE THE U.K. FIRM DELOITTE TO PERFORM THE FINAL EVALUATION OF GULF'S ASSETS IN ECUADOR (WHICH WERE TAKEN OVER BY CEPE EFFECTIVE THE END OF 1976 PER THE MAY 27, 1977, GULF/GOE ACCORD). DELOITTE MUST FINALIZE SOME INTERNAL ADMINISTRATIVE PROCEDURES BEFORE SIGNING THE CONTRACT, PERHAPS BY MID-JULY.

2. GULF, CEPE AND DELOITTE HAVE ALSO REACHED AN AGREEMENT IN PRINCIPLE TO FULFILL THE GOE OBLIGATION THAT DELOITTE ASSOCIATE WITH A LOCAL FIRM BY ARRANGING AN ASSOCIATION WITH A DOMESTIC FIRM CONTROLLED BY THE ECUADOREAN MANAGERS OF DELOITTE'S LOCAL BRANCH. SINCE THE RELEVANT GOE LAW STATES THAT ASSOCIATION IS PRETTY MUCH WHATEVER TWO FIRMS WANT TO CALL IT, CEPE IS WILLING TO GO ALONG WITH THE ARRANGMENT.

3. DELOITTE IS SO CONFIDENT THAT THE AUDIT CONTRACT WILL BE SIGNED THAT A LEAD MAN IS ALREADY PREPARING FOR
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THE ARRIVAL OF A DELOITTE TEAM IN EARLY JULY. ASSMING THE CONTRACT IS SIGNED IN MID-JULY, DELOITTE COULD PROBABLY COMPLETE A PRELIMINARY AUDIT REPORT BY OCTOBER, WITH A FINAL REPORT READY BY DECEMBER OF JANUARY. ONCE THE CONTRACT IS SIGNED, CEPE WILL HAVE NO MEANS TO LEGALLY DELAY THE AUDIT.

4. FULF HAS RENEWED FOR A ONE-YEAR PERIOD (AS REQUIRED BY DECREE 1437 OF MAY 17, 1977) ITS \$35,372,000 LETTER OF CREDIT WITH CITIBANK THAT EXPIRES ON JUNE 30, 1978. CEPE IS ALSO OBLIGATED TO RENEW ITS EQUIVALENT LETTER OF CREDIT WITH BANK OF AMERICA. CURRENTLY CEPE'S RENEWAL APPLICATION IS BEING REVIEWED BY THE FINANCE MINISTRY, AND IT MAY NOT BE POSSIBLE FOR GOE BUREAUCRACY TO APPROVE THE LETTER OF CREDIT BEFORE JUNE 30. GULF REPRESENTATIVES HAVE TOLD EMBOFFS THEY COULD ACCEPT A SHORT BUREAUCRATIC DELAY, BUT IF THE REVIEW IS HELD UP FOR DELIBERATE REASONS, GULF WOULD BEGIN TO FEAR A DERAILEMENT OF THE ENTIRE AUDIT PROCESS.
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Message Attributes

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